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Vero Residential Home Policy

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Introducing your customers

Ryan and Olivia Taylor…

Ryan and Olivia Taylor are looking to change insurers as they're not happy with their current one. They've come to you on advice from friends. During the module they will ask you questions about how this policy relates to their insurance needs.

Ryan and Olivia live in an owner-occupied home in Hamilton. They have their home currently insured for $970,000 and are looking for comprehensive cover for their home under Cover Option – Maxi.

The home is located on a large semi-rural property on town water supply, which includes a swimming pool, landscaped grounds, and a man-made stream that has a bridge over it. Their teenage son currently lives with them in a two bedroom sleep out.

Home definitions

The ‘Definitions’ section in the policy wording clarifies certain words that have specific meaning. These defined words are in *italics*, ensuring they carry the same meaning consistently throughout the policy to help with understanding.

We’ll look at some of these defined words so you can explain them to Ryan and Olivia. Make sure you read and understand all the defined words, so you can explain how they impact cover to your customers.

We will concentrate on these definitions:

Home

Room

Residential purposes

Replacement cost

Home

The definition of 'home' means the dwelling, including the residential flat or holiday home that is owned by the customer and is:

- used for residential purposes
- located within the residential boundaries
- at the address shown on the customer's schedule

Both residential boundaries and residential purposes are defined in the policy wording. However, our main focus in this module will be on residential purposes which we will cover shortly.

Included in the definition of home:

- Each additional self-contained dwelling unit capable of being lived in, and that you intend to be lived in, or that is being lived in by one or more persons (if your schedule specifically shows these additional dwelling units as part of your home).
- Separate outbuilding(s) that are not self-contained or capable of being lived in, and garage(s).
- Permanent decks.
- Greenhouses and garden sheds, patios, pergolas, and built-in furniture.
- Aerials and satellite dishes that are attached to the home.
- Fixed floor coverings (glued, tacked, or smooth-edged).
- Coverings fixed to the ceiling or wall.

- Curtains, drapes, and blinds.
- Fixed light fittings and appliances permanently wired to a gas, plumbing, or electricity service.
- Letter boxes, exterior blinds and awnings, fixed clotheslines, and built in barbeques.

- Septic tanks, heating oil tanks, service tanks, water tanks, and their fixed pumps and systems.
- Permanent spas or swimming pools, including their fixtures, covers, pipes, and fixed pumps.
- Walls, fences, and gates.
- Solar power systems.
- Gas pipes, fresh-water pipes, underground drainage, and sewerage pipes.
- Cables and poles associated with electricity, data, and telephone services.
- Any driveways, paths, patios, bridges, paving, tennis courts, and permanently installed artificial grass or turf.
- Private roads, lanes, rights of way, access ways, or bridges that provide access to a driveway that you own, or share with other residential property owners, and for which you're responsible for.
- Permanently installed ornamental fish ponds and features connected to the dwelling's water supply.
- Sculptures and artwork that are permanently fixed to buildings or land.
- Your share in any walls (except retaining walls), fences, gates, pipes, cables, or driveways where they are jointly owned with other property owners.
- Any part of the home used as a home office or health care practice.

If you think about your new customers Ryan and Olivia, you'll see that their swimming pool and the bridge over the man-made stream would be covered under the definition of 'home'.

Not included in the definition of home:

- Contents (cover is only offered under a contents policy).
- Temporary structures.
- Retaining walls, except for the cover provided under the Cover Option – Maxi 'Retaining walls' benefit.
- Power generation and power storage equipment, except for the cover provided under the Cover Option – Maxi 'Power generation equipment' benefit.
- Hedges, trees, shrubs, plants, lawns, and garden edging except where cover is provided under the 'Landscaping' benefit.
- Landlords furnishings (unless the optional benefit 'Landlord's extension is shown on the schedule).
- Any boarding house (as defined by the Residential Tenancy Act 1986).
- Wharves, piers, jetties, or similar structures.

- Culverts, ponds, dams, and slipways.
- Sea walls, flood walls, and levees.
- Other property owners' shares in any walls, retaining walls, fences, gates, pipes, cables, or driveways that you jointly own with those property owners.
- Land, earth, or fill.

Room

This definition clarifies what we mean by the term room to avoid confusion around what a ‘room’ is in the event of a claim. The key point to note is that areas separated by doors, doorways, or stairs will be considered separate rooms.

Where stairs are involved in the damaged area then these will be included in the ‘room’.

Residential purposes

You'll recall under the definition of 'home' it must be used for residential purposes.

This term means the ordinary domestic activities of life and excludes activities undertaken for commercial or business purposes.

Remember the policy does allow cover for part of the home being used for a home office or healthcare practice. The specific cover details can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

Replacement cost

Another important definition you need to know is replacement cost, which is often misunderstood.

For a home, the replacement cost is the amount that is needed to completely rebuild the home to the replacement condition if it was totally destroyed. The replacement cost includes demolition and professional fees.

Replacement condition is also defined in the policy wording. This means that the home is rebuilt to the same standards or specifications as when it was new using building techniques and similar to, but not better or more extensive than the home materials that are currently available.

A final thought on definitions

Remember when you looked at the definition of Home, you found that there are some items which are not covered e.g. landscaping, the land the house is on, wharves, piers, and jetties.

Limited cover for some of these items can be brought back into the policy through different benefits.

This enables us to cover these items under specific circumstances only and to apply a sub-limit which reduces our exposure to losses.

What’s covered

What's covered

Let's look at what will be paid under a Home policy. This is detailed in the 'What you are insured for' section of the policy wording.

There are two home cover options:

- **Cover Option – Maxi**, which provides cover for accidental loss or damage for replacement cost.
- **Cover Option – Flexi**, which provides cover for specific types of loss to the home for indemnity value.

The cover option selected will be shown on the customer's schedule.

It is more common for customers to take out Cover Option – Maxi, and so we will focus on this cover throughout the module. Make sure you read and understand Cover Option – Flexi, so you can explain it to your customers.

!

How we may settle a claim

What we pay will depend on the cover option taken. No matter which cover option applies, the most we will pay for the home is the sum insured, plus any benefits that are paid in addition to the sum insured.

Please refer to 'The maximum we'll pay for your claim' section in the policy wording for details.

Cover Option – Maxi

Vero may choose to settle the customer's claim in one of the following ways.

- Repair or rebuild the home to the replacement condition.
- Pay up to the replacement cost to let the customer repair or rebuild their home. We'll pay after they have incurred the cost.
- Pay up to the replacement cost we believe the customer will incur within 12 months.
- Pay the replacement cost to rebuild at a different location. This may be necessary if the customer is unable to rebuild on the same site e.g, Canterbury earthquakes.
- Pay the replacement cost to buy an existing home elsewhere within 12 months.
- Pay the indemnity value if the insured doesn't intend to repair or rebuild within 12 months unless we agree to extend that time.
- We'll first pay any part of the replacement cost to any mortgagee or party with a secured financial interest in the home.

Limits on what we pay:

The policy wording contains some limitations on what we pay, we'll look at some of these, so you can explain them to customers. Not all limits are mentioned in this module, refer to the customer's policy wording (or any agreed endorsement which may apply).

- It is important to note that some benefits are paid within, and some on top of, the sum insured. If you are talking to a customer regarding the sum insured, please ensure they are aware of this as the customer will need to take this into account when determining what the sum insured should be.
- Private roads, lanes, right-of-ways, access ways, and bridges are only covered up to a specific limit. The specific limits applicable can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule. So, thinking of Ryan and Olivia you need to make them aware of this limit for their bridge over the man-made stream.
- If the home is registered with Heritage New Zealand Pouhere Taonga, we won't pay any extra costs or fees required to comply with any heritage covenants.
- We'll only replace damaged wallpaper, floor coverings, drapes, curtains, and blinds in the room where the loss happened. Our responsibility is to put the customer back in the same financial position they were in prior to the loss. Extending cover to rooms that were not damaged will actually put the customer in a better position than they were prior to the loss.

Benefits

Benefits

There are some benefits that apply to both cover options under the Residential Home policy, while others only apply to Cover Option – Maxi.

The limits payable for some of the benefits are for any one period of insurance. Many are per event.

The specific limits applicable can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

Optional benefits only apply if they are shown on the customer's schedule and any additional premium is paid.

While you're not expected to remember all the benefits, you'll need to be able to find the information in the policy wording. It is also important to have an understanding of what the benefit means, and be able to explain it to your customers.

We won't be going through all of the benefits in this module, so take some time to read all of the benefits and not just the ones listed below.

Benefits we'll look at that apply to Cover Option – Flexi and Cover Option – Maxi:

- Landscaping
- Property owner's liability

Optional benefit we'll look at that applies to Cover Option – Maxi:

- Landlord's extension
- A limited version of Landlord's extension is also available under Cover Option – Flexi. For details, please refer to the customer's policy wording (or any agreed endorsement which may apply).

Benefits we'll look at that only apply to Cover Option – Maxi:

- Electronic programmes
- Environmental improvements
- Gradual damage
- Methamphetamine contamination
- New building work
- Power generation equipment
- Resetting or reprogramming your security system
- Retaining walls
- SumExtra
- Tree removal
- Water or sewage pipe blockage

Benefits that apply to Cover Option – Flexi and Cover Option – Maxi +

Landscaping

This benefit only applies if the home was damaged in the same event, or where a vehicle not belonging to the customer causes damage to gardens, garden edging, or lawns, without damaging the home.

The benefit doesn't include paving, as paving is covered under the definition of 'home' so isn't limited by this benefit.

Benefits that apply to Cover Option – Flexi and Cover Option – Maxi

Property Owners Liability

This benefit provides cover for the customer’s legal liability for accidental damage to someone else’s property or accidental bodily injury.

This benefit is complex, so we’ll go through it in stages.

Let’s start with bodily injury. It covers bodily injury (including death), illness, disability, disease, shock, fright, mental anguish, or mental injury. Cover is limited under the policy wording and you will need to refer to this to inform your customer.

Liability for damages

This covers the customer's legal liability to pay damages for loss or damage they cause to someone else's property or accidental bodily injury. Damages is a defined term in the policy wording that means money you have to pay because of a judgment against you, or a settlement we negotiate. Damages also includes the other party's costs, and interest.

Damages doesn't include:

- punitive or exemplary damages
- reparation
- fines
- taxes
- any other kinds of penalty or compensation, financial or not
- any other payment that is unlawful to insure against.

Liability for reparation

This section covers a customer's legal liability to pay reparation for loss or damage to someone else' property or accidental bodily injury.

Reparation is an amount a New Zealand court orders to be paid to the victim of an offence under section 32 of the Sentencing Amendment Act 2014.

Reparation doesn't include:

- Reparation arising from an offence under the Health and Safety at Work Act 2015
- damages, court costs, fines, any other kind of penalty (financial or not), taxes, and any payment that is unlawful to insure against
- the customer's legal defence costs or expenses relating to an offence.

Landlord’s liability

If you customer is a landlord, they have responsibilities under the Health and Safety at Work Act 2015. If they fail to meet these responsibilities and a judgment due to accidental bodily injury is made against them under the Health and Safety at Work Act 2015, we’ll cover the award they have to pay.

Limits on what we’ll pay for Property owner’s liability

For any one event, we’ll pay:

- for loss to someone else’s property, up to $2,000,000
- for bodily injury, up to $1,000,000.

The most we’ll pay during any period of insurance is a combined total of $2,000,000 for all legal liabilities for:

- an award (relating to the Health and Safety at Work Act 2015)
- damages
- reparation.

There are some situations, when this benefit won’t apply.

- Damage to property that belongs to the customer or is under their control.
- Liability arising out of any business, profession, or employment.
- Liability arising from the ownership, possession or use of any mechanically propelled vehicle, trailer, aircraft, or boat.
- Liability arising from ownership or possession of any animals other than domestic pets.
- Liability assumed by agreement (i.e. the customer agrees to be liable in a certain situation).
- Where any exclusion under the ‘Exclusions – things we don’t cover’ section applies.

Ryan and Olivia's next-door neighbour lives in a very large and expensive home.

Ryan and Olivia are cutting down a large tree on the boundary with their neighbour. The tree falls the wrong way and crashes onto the neighbour's home causing extensive damage. Ryan and Olivia are found to be responsible and have to pay for the damage.

Even though the neighbours are insured, there's potentially uninsured items or restrictions in their cover that they will want to seek recovery from Ryan and Olivia for, who of course will be liable.

Luckily the Property owner's liability benefit provides cover in this situation, so Ryan and Olivia don't need to find money in their budget for those costs.

Optional benefit – Cover Option – Maxi +

Landlord's extension

This benefit has specific limits, refer to the customer's policy wording (or any agreed endorsement which may apply) and/or their policy schedule.

This is the only optional benefit available under Vero Residential Home, and must be specifically requested, paid for and shown on the customer's schedule, in order for cover to be provided.

For Cover Option – Maxi, the benefit is split into four sections.

- Malicious damage or theft
- Landlord's furnishings
- Loss of rent due to loss covered by the policy
- Loss of rent due to non-payment

Malicious damage or theft

- Covers malicious, intentional or deliberate damage to the home or theft of any part of the home caused by the tenants or someone at the home with the tenant's permission.
- We'll pay indemnity value if the customer doesn't rebuild or repair within a reasonable time.
- We'll only provide cover under this benefit for loss caused by one event while the home was let to the same tenants or under the same tenancy agreement.

Landlord’s furnishings

- Cover is limited to indemnity value for the following items if they are not permanently wired into the home: dishwashers, stoves, refrigerators, washing machines, dryers, and built in microwaves.
- For specific limits, refer to the customer’s policy wording (or any agreed endorsement which may apply) and/or their policy schedule.

Loss of rent due to loss covered by this policy

- The home must be uninhabitable either due to loss covered by the policy or where the government/local authority prevents access to the home due to possible or impending damage to an otherwise safe or sanitary home.
- For cover to apply the home needs to be occupied by tenants. They must have a signed agreement to rent the property for a period of at least 90 days.
- We do not offer loss of rent for short term rental agreements e.g, Airbnb or Bookabach.

Remember, there is also a limited version of this optional benefit under Cover Option – Flexi. For details, please refer to the customer’s policy wording (or any agreed endorsement which may apply) and/or their policy schedule.

Loss of rent due to non-payment by tenants

We'll pay for loss of rent due to non-payment by tenants in four situations:

- Where the tenant lawfully moves out of the home due to prevention of access by authorities to the home, or because of failure of public utilities. We'll pay up to 8 weeks rent.
- Where the tenant moves out of the home without giving the required notice. We'll pay up to 8 weeks rent.
- The customer lawfully evicts the tenants from the home because they didn't pay rent. We'll pay up to 12 weeks rent.
- The Tenancy Tribunal orders the tenants to leave your home and the tenancy to end. We'll pay up to 12 weeks rent.

Ryan and Olivia have a question for you about the sleep out on their property, which is currently being used by their son. He will be heading to university soon and won't be living at home so they're thinking about using it to get some extra income. They're not sure whether to rent it out as a casual holiday rental or something more long term. They're worried about the sleep out becoming contaminated from meth and want to find out if Landlord's extension will cover them. **What will you tell them?**

The answer will depend on what they decide to do. This benefit applies to tenanted homes, which under the definitions means that there must be a tenancy agreement in place for a period of 90 days or more.

If they decide on a long term rental, then this benefit will apply subject to them meeting the Landlord's Obligations contained in the policy. However, if they only use it as a casual rental then it doesn't meet the 'tenanted' definition and cover won't apply. If methamphetamine contamination is something that concerns them then they need to factor that in when they make their decision on how to rent it out.

Olivia has another question for you related to the sleep out. Given your answer to their last question, they're thinking that they will rent out the sleep out on a long-term tenancy arrangement and so will want to purchase the Landlord's extension optional benefit.

They will be leaving beds and a sofa in there and want to know if this is covered under the Landlord's furnishings part of the benefit. **What will you tell Olivia?**

Did you tell Olivia these specific items don't meet the definition and therefore aren't covered under the landlord's furnishings part of the benefit?

Landlord's furnishings covered under the benefit are defined as dishwashers, stoves, fridge, washing machines, dryers, and built in microwaves. These items must not be permanently wired into the home.

Benefits that apply to Cover Option – Maxi only

Let’s have a closer look at some of the benefits that only apply to Cover Option – Maxi, starting with Electronic programmes.

Benefits that apply to Cover Option – Maxi only +

Electronic programmes

There are an increasing number of homes that have electronic equipment controlled by computer software.

In the event this equipment suffers a loss that the policy covers, this benefit will pay to reset, restore, or re-programme the software.

This benefit doesn't provide cover for the loss of any data stored on the equipment.

Benefits that apply to Cover Option – Maxi only

Environmental improvements

This benefit covers some extra costs to purchase and install environmental improvements (such as rainwater tanks and solar power systems) to the customer's home where:

- the loss or damage to the home is more than 80% of the sum insured, and
- the customer's home doesn't already have the relevant environmental equipment, and
- Vero are authorising and arranging the repairs to the home, and
- the customer obtains Vero's agreement before the equipment is purchased.

Benefits that apply to Cover Option – Maxi only

Gradual damage

Gradual damage is excluded by the policy wording but the Gradual damage benefit partially overrides the exclusion and gives customers limited cover for the repair of gradual physical damage as a result of water leaking or overflowing from an internal water system.

What cover does this benefit provide?

- Includes reasonable costs for searching for the source of the problem but doesn't pay for the actual repair of the leaking pipe or vessel.
- The damage must have started after the customer bought the home.
- Cause must be from water leaking or overflowing from an internal water system.

Internal water systems are defined within the benefit and you need to know what these are so that you can accurately advise your customer and to avoid any issues in the event of a claim.

An internal water system is either of the following:

- Any water pipe, waste disposal pipe, or water storage tank which is permanently connected and contained within the walls, cupboards, floors, ceiling, or roof of the home.
- Any pipe hidden from view that is connected to a water cylinder, refrigerator, water purifier, washing machine, dishwasher, or similar household item that is designed to both receive and release water. An internal water system does not include the appliance itself.

Benefits that apply to Cover Option – Maxi only +

Methamphetamine contamination

This benefit provides cover for loss as a result of methamphetamine contamination providing:

- The schedule shows the home is tenanted.
- The customer complies with the Landlord obligations set out in the policy wording (we'll this later in the module).
- At the time of the claim, testing confirms that the home has a level of chemical contamination that exceeds 15µg (micrograms) per $100cm^2$.
- The people who contaminated the home are the tenants, or are at the home with the tenants' permission.

The benefit covers damage as a result of contamination by manufacture, storage, use of methamphetamine or its precursor chemicals.

We'll only pay for one claim under this benefit while the home is let to the same tenants, or under the same tenancy agreement.

We won't pay to decontaminate or repair land, even if it's necessary to decontaminate, repair or rebuild the home or to comply with government or local authority laws or regulations.

Benefits that apply to Cover Option – Maxi only

New building work

New building work includes any of the following:

- New separate structures being built at the situation address (the structure must fall within the definition of home and be covered by the policy when complete).
- Structural work being done to upgrade existing fittings or features within the home.
- Materials at the location shown on the schedule that will be part of the new structure.

Cover is limited to specific defined perils only, and these are listed in the benefit so read these now, so you know the extent of cover provided.

There are 6 circumstances that are not covered under this benefit.

- Where the expected value of the completed work, or price of the contract including materials is more than the limit set out in the policy wording (or in the any agreed endorsement which may apply) and/or their policy schedule.
- Excavations deeper than 1 metre.
- An extension (such as an extra room) is being added to the existing home.
- Any building for commercial purposes.
- Any work where a building consent hasn't been granted and one is required.
- Any work that is covered under a separate Contract Works policy.

This benefit is designed to provide limited cover for minor works and should not be used to replace a Contract Works policy.

Benefits that apply to Cover Option – Maxi only +

Power generation equipment

This benefit covers Power generation equipment which is any wind–powered or fuel–powered equipment for generating electricity.

It includes any support structure, generator, power storage and associated wiring, switching and distribution equipment.

This does not include Solar panels as they are included as part of the home.

The cover provided is limited to specific perils only.

Where the equipment is on land owned by the customer, and it provides power to the home, cover is provided for loss to power generation equipment resulting from:

- Fire, explosion, lightning.
- Impact by a vehicle or animal.
- Impact from aircraft or other aerial or spatial device (such as a drone or satellite), or articles dropped from them.
- Natural hazard.

Ryan has a question for you on the Power generation equipment benefit. While they don't own any of this type of equipment he has the benefit of being able to use a wind turbine located on his neighbour's property to help generate electricity for the sleep out located on Ryan and Olivia's property.

He wants to check out if this would be covered under their policy. **What will you tell him?**

How did you do? Did you tell Ryan that this benefit won't cover the wind turbine giving power to the sleep out, as it's located on his neighbour's property and it is not owned by him. He might want to check with his neighbour that the neighbour's insurance has cover for the wind turbine.

Benefits that apply to Cover Option – Maxi only +

Resetting or reprogramming security systems

This benefit provides cover for reasonable costs (up to the benefit limit) to reset or reprogramme a customer's security system where it was activated during a burglary or attempted burglary.

It doesn't cover maintenance costs for the system.

Benefits that apply to Cover Option – Maxi only

+

Retaining walls

This benefit covers damage to retaining walls. The specific limit can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule. The limit covers the retaining wall itself, the cost to get access to the wall, stabilise the soil, and provide footings and drainage.

At the time of a claim, we'll pay more than the limit if all the following are true:

- The customer has a valuation for their property, issued by a qualified valuation or construction expert or professional, like a quantity surveyor, qualified valuer or builder.
- The valuation separately identifies the replacement value for all retaining walls.
- The valuation was done before the loss.
- The sum insured reflects the total replacement value for the home as shown in the valuation.

The important points to remember are:

- Retaining walls are only covered under this benefit, if their sole purpose is to retain land.
- Retaining walls that require permits, consents or certificates, must have those documents issued to be covered by the benefit.
- This benefit is paid within the sum insured, and not on top of it.
- There is no cover provided for any retaining walls that are incomplete, not reasonably maintained or not functioning as intended immediately before the loss occurred.
- The policy doesn't provide cover for sea walls or flood walls.

Benefits that apply to Cover Option – Maxi only

SumExtra

This benefit applies where the home is insured under Cover Option – Maxi. If the replacement cost for the home is more than the sum insured, we'll pay one of the following:

- The part of the replacement cost that exceeds the sum insured, if the loss arises from any cause we cover other than natural hazard.
- Up to an extra 10% of the sum insured towards the replacement cost if the loss arises from natural hazard.

There are some conditions that our customers need to meet for this to apply, including how they set their sum insured. We'll go through these now.

The conditions are:

- We settle the claim by paying the replacement cost using any of the options number 1 to 4, under the heading ‘How we will settle your claim’.
- At the time of loss, the sum insured equals or exceeds a written estimate of costs reasonably necessary to rebuild the home. The standard of the rebuild used for the written estimate of costs must:
  - Be to a standard or specification similar to, but no better than, the customer’s home’s condition when new.
  - Use equivalent techniques and building materials readily available in New Zealand.

- The customer must have obtained the written estimate of costs from one of the following:
  - The online rebuilding cost calculator on our website, or another online rebuilding cost calculator that we accept.
  - A registered valuer, registered quantity surveyor, building practitioner holding a suitable trade licence, or another building specialist, that we accept.
  - Any other method or source that we accept.
- The written estimate of costs provides a complete and correct description of the home and is less than 3 years old at the time the sum insured was most recently agreed – which could be when they purchased the policy, anytime during the period of insurance, or at their last renewal.
- If your customer increases the size or improves the quality of their home since they obtained their written estimate of costs then they must increase their sum insured in line with the increase in rebuilding costs. If they don't, we'll only pay an extra 10% of their sum insured.
- When your customer makes a claim they must provide proof of the written estimate for rebuilding the home, that they obtained before setting their sum insured. **It's important to remind them that they must hold onto a copy of their estimate for this reason.**

Benefits that apply to Cover Option – Maxi only

Tree Removal

Where a customer has a tree or part of a tree that falls onto their house and we have accepted the claim, this benefit will cover the reasonable costs to remove any part of the tree to allow repairs to be carried out.

We'll never pay for the removal of tree stumps from the ground. We won't pay if the customer was aware prior to the loss that the tree was unstable and needed to be removed.

Ryan Taylor has another question for you. They have a large number of trees on their property that are well established and therefore quite tall. He knows that if one of the trees falls on their home and damages it this benefit will cover the cost to remove the tree. He's wondering about parts of the tree that may not have fallen but still need to be removed. **What will you tell him?**

How did you do? Did you tell Ryan that this benefit also covers the removal of the parts that haven't fallen except for the tree stump (which is excluded).

Benefits that apply to Cover Option – Maxi only +

Water or sewage pipe blockage

We'll pay reasonable costs (up to the benefit limit) to clear an accidental blockage in an underground water or sewage pipe. However, we won't pay if the blockage was caused by tree or plant roots, or if it was outside the residential boundaries of the home.

If clearing the blockage damages part of a driveway, patio, path, paving, tennis court, or other permanent structure that forms part of the home, we'll cover the cost of repairing or rebuilding the damaged part.

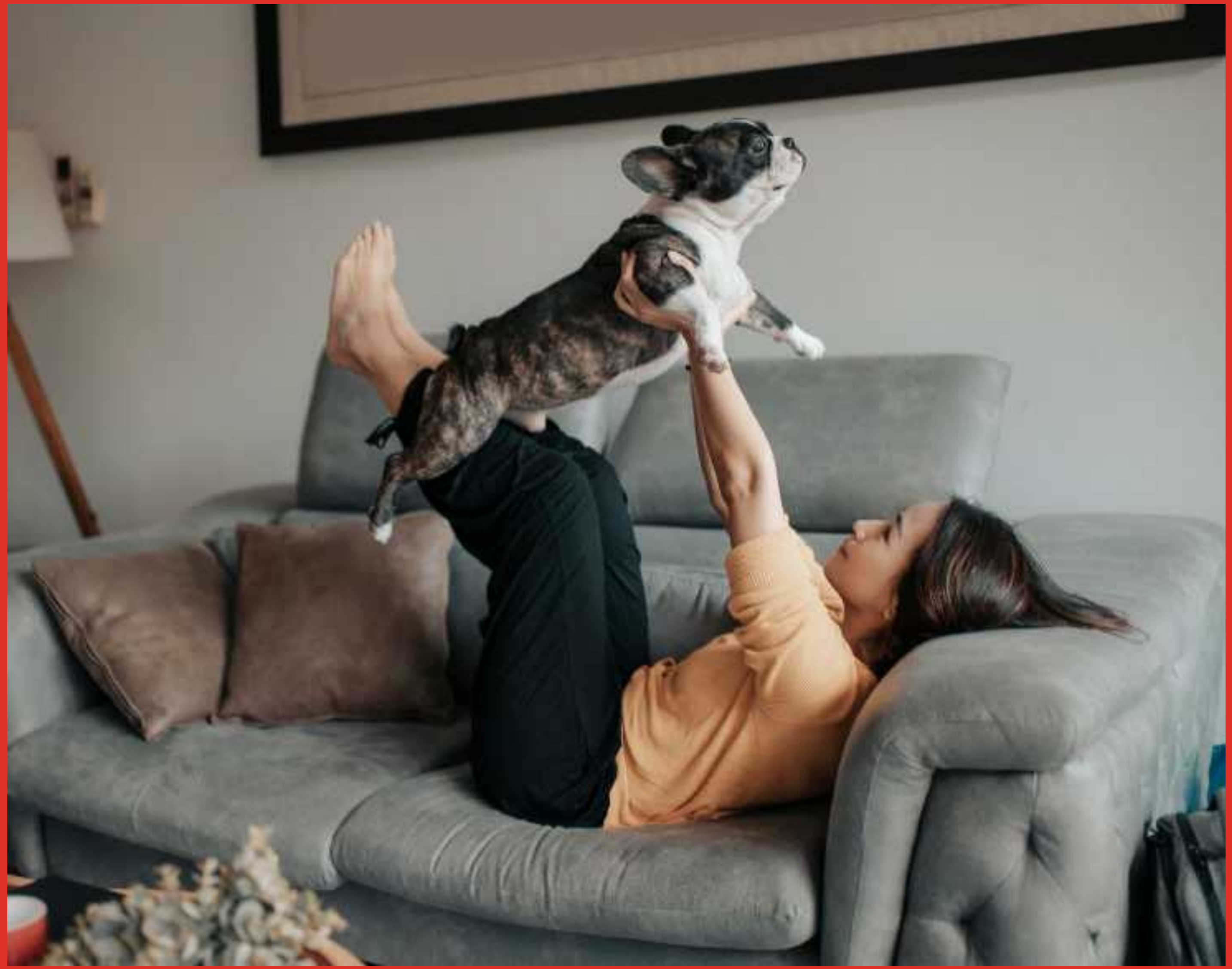
Summary

You've just gone through many of the benefits. You should familiarise yourself with the remaining benefits contained within the policy wording that we didn't cover here. However, the following are the benefits you'll really need to understand as they are either complex, come up often, or can create issues at claim time:

- Property owner's liability
- Gradual damage
- New building work
- Retaining walls
- SumExtra
- Methamphetamine contamination

If you're unsure about any of these please contact Vero for clarification.

Exclusions



Exclusions

We won't cover some situations, these are called exclusions.

These are detailed under "Exclusions – things we don't cover" in the Home policy wording.

We won't be going through all the exclusions here, but will focus on:

- Natural hazard
- Home defects
- Unoccupied homes
- Land
- Household pets
- Illegal drug contamination
- Some events in the first 72 hours of this policy
- Hydrostatic pressure
- Uncertified home
- Business use
- Asbestos

Before we move on, take some time to read through the 'Exclusions - things we don't cover' section of the policy wording. This excludes a range of situations, so you need to make sure you're across all of them.

Natural hazard

We won’t cover loss in any way connected with any of these:

- earthquakes or natural landslides
- tsunami
- volcanic activity or hydrothermal activity
- fire resulting from any of the above.

However, limited cover is then added back in under the ‘Natural hazard’ benefit.

Home defects

This excludes loss or damage as a result of the home failing to prevent or manage the presence or penetration of moisture or water.

Some homes are displaying chronic rot of timber framing and other damage to construction materials because these buildings were unable to prevent or manage water from entering the home.

This exclusion is a result of the “Leaky Home Syndrome” from the 1990’s. This exclusion is included within the Vero Home policy to ensure that Vero does not pay for claims due to houses being designed or built in a way that is not weathertight.

Unoccupied homes

This excludes any home that is unoccupied, unless we have been notified and agree in writing, or we know the home is a holiday home.

The following conditions must be met.

- The home, its lawns, and its gardens are kept tidy.
- All external doors and windows are kept locked.
- All papers and mail are collected regularly.
- The home is under regular supervision.

A home is deemed unoccupied if no authorised person has slept at home for a certain number of days. For the specific number of days please refer to the customers policy wording (or in any agreed endorsement that may apply) and/or their schedule.

Land

Land is not covered under the policy, including costs to stabilise, improve, or upgrade land to avert or mitigate loss.

In addition, if there has been an accepted and paid NHC claim for damaged land, but the land damage has not been repaired, there will be no cover under this policy for any damage to the home as a result of unrepaired land.

Household pets

We don’t cover damage caused by household pets if the customer doesn’t live in the home – for example, if the property is rented out to tenants. This includes damage from scratching, chewing, tearing, or soiling.

Illegal drug contamination

We won't cover loss or liability arising from anyone making, supplying, storing, possessing, or using any illegal drugs or substances in or near the customer's home.

However, we'll cover any loss to the home from fire or explosion.

We'll provide some cover if the customer has Cover Option – Maxi if:

- the home is tenanted, and we cover the loss under the 'Methamphetamine contamination' benefit, or
- the customer normally lives in the home and loss is caused by unknown people entering the home without the customer's permission while it's unattended. We'll cover the loss under the 'Methamphetamine contamination' benefit, and the limit won't apply.

Some events in the first 72 hours of this policy

This excludes loss or damage caused by storm, flood, landslide, bush fire, or volcanic activity for the first 72 hours when a policy is first taken out.

It doesn't apply if:

- the policy is replacing another (either with Vero or another insurer) immediately after the other policy that covered the home for the above mentioned perils, or
- the policy was taken out by the customer when they first purchased the home.

Hydrostatic pressure

This exclusion relates to swimming or spa pools that are set in the ground.

Hydrostatic pressure is the force from water in the soil pushing against a pool. When the pool is full, the water inside balances this pressure. If the water level isn't maintained, the pressure from the ground can cause the pool to lift or pop out, causing damage. This damage isn't covered under the policy.

Uncertified home

This excludes loss or damage to the home in any way connected to the home failing to meet the standard that any regulation, Act, or bylaw prescribes.

An example is where the home has been built or modified by someone who is not licensed to carry out such work. They complete the wiring or plumbing work without obtaining sign-off from a licensed tradesperson. Then the wiring or plumbing causes loss or damage to the home. If this occurs, then that loss or damage is excluded.

Business use

This excludes any loss or liability from using the home for a business. The exclusion doesn't apply to any part of the home used as a home office or healthcare practice, or where Vero has been advised of and agrees to allow cover for another form of business.

Olivia is concerned that this means there isn't any cover for her work from home as an Accountant. **What will you tell her?**

Did you tell Olivia that her use of the home as an Accountant is covered as it would fall under the definition of home office, so she doesn't have to worry as this exclusion doesn't apply to her?

The customer's responsibilities, policy conditions and other important information

Just like exclusions, there are many policy conditions and responsibilities contained in the Home policy wording that are the same as in other personal lines insurance policy wordings.

We won't be going through all these here, so take some time now to read through these sections. We'll focus on the following:

- Landlord obligations
- We don't cover you if you breach these terms
- You must take all reasonable steps to prevent loss
- Making a claim
- Information given to us must be correct
- You have a duty of disclosure
- This policy can cover multiple parties as joint insureds

Landlord obligations

The aim of this condition is to make sure landlords are taking reasonable precautions to ensure their property is kept free from damage.

Select tenants with care and inspect your property every time the tenancy changes and at least once every 6 months.

This applies to all tenanted homes irrespective of whether the customer has taken the Landlord's extension optional benefit.

Landlords or their property managers must take care when selecting tenants, ensure they get references for each adult prior to the tenants moving in, and keep records of these along with written records and photos of inspections.

You have additional obligations if you've chosen Landlord's extension.

Customers who have taken out the optional benefit Landlord's extension have an additional obligation to mitigate any potential loss of rent from the property by taking all reasonable steps to find suitable new tenants as quickly as possible. They need to monitor the rent and take action as outlined in the wording if it is not paid by the tenants.

We don’t cover you if you breach these terms

This policy condition outlines that there is no cover if the customer has not met the policy terms and conditions.

This condition also gives Vero the right to avoid the policy for non-disclosure. The customer must disclose all material facts to enable Vero to make an informed decision on the risk they’re being asked to insure.

If they don’t disclose a material fact and Vero avoid the policy then it’s treated as if it never existed. The avoidance could be from the renewal date, or inception depending on when the non-disclosure occurred.

You should highlight this to your customer when talking to them so that they understand their obligations.
If they’re in doubt, it’s better to disclose it.

You must take all reasonable steps to prevent loss

The customer must take all reasonable steps to maintain their home in good condition and to prevent loss.

The policy won’t respond where the customer was reckless or grossly negligent. In New Zealand, the legal position is that the courts will consider what a reasonable person would have done in the circumstances of each case.

Making a claim

When a customer needs to make a claim, the ‘Making a claim’ section sets out what they need to do. Remember that when a claim occurs it can be an emotional time for your customer and they may not remember this information, so you can assist them by reminding them of what they need to do.

Take a few minutes now to read through this section so you are comfortable with what your customers need to do when making a claim.

The key points to remember here are:

- They need to notify you, or us as soon as possible and take reasonable steps to minimise any damage.
- Don’t start any repairs or dispose of any damaged items until the Claims team have advised what to do. The exception here is if the damaged items are a health and safety issue and then the customer should take photos before they dispose of them.
- If the loss is due to a burglary, theft, or vandalism then notify the Police immediately. The Claims team will need the Police file number.
- Provide any information that the Claims team asks for and co-operate with people appointed to help resolve the claim, as well as provide any assistance needed to take recovery action against a person(s) that is responsible for the loss.
- If the home is tenanted and the landlord is legally allowed to withhold some of the bond, then don’t refund the bond to the tenant until the claim is resolved.

Information given to us must be correct

This condition reminds the customer they need to make sure all the information they give to Vero is complete and correct whether this is when taking out a policy, changing or renewing a policy, or making a claim.

If the customer supplies false information or fails to tell us all the information, then we may decline the claim or cancel the policy as set out in the 'We don't cover you if you breach these terms' condition.

You have a duty of disclosure

This condition means the customer must give us all the information we need in order to make a decision issuing, altering, or renewing a policy, as discussed earlier in the module.

This also means that if any circumstances change with the risk or with the customer, this needs to be advised to Vero immediately so that the risk can be reviewed and terms changed if required.

If Ryan or Olivia receive a criminal conviction they need to let us know immediately. We would look at the circumstances of the conviction and decide if we want to continue cover. If we do, additional terms may apply.

This policy can cover multiple parties as joint insureds

Where the policy is insured in joint names or includes the name of a Trust, then actions of any one of the parties will impact the cover provided under the policy.

Ryan and Olivia make a claim on their home policy. When the policy was taken out Ryan failed to declare a previous conviction that would have affected the acceptance of the policy.

This is referred to an underwriter who has deemed that the policy should be avoided.

Olivia tells claims staff that she was unaware of the conviction or that Ryan failed to declare it, and asks to be paid out anyway.

In this instance, the joint insureds condition would mean any claim made by Olivia would be declined.

Summary

Let's recap this module.

There are two types of cover available, but the most common one sold is Cover option – Maxi.

It provides cover to repair or rebuild the home in the event of loss or damage. It offers many included benefits.

Just as important as what is covered is what's not covered. You need to make sure your customers understand what they're not covered for under this policy.

Lastly, there are policy conditions that your customers must comply with to be covered. It's particularly important that they disclose all information and be truthful in all transactions and discussions with us.